EPISODE 831

[INTRODUCTION]

[0:00:00.0] ANNOUNCER Welcome to the Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.4] WS: This is your daily Real Estate Syndication Show. I'm your host Whitney Sewell. Today, our guest is David Kamara. Thanks for being on the show David.

[0:00:31.7] DK: Thank you Whitney, it's a pleasure to be here.

[0:00:34.3] WS: David bought his first rental duplex in 2006 and proceeded to buy a number of single-family houses. His career in management consulting was lucrative, but the excessive work travel and time spent away from his family drove David to search for a way to scale up his real estate investment strategy which brought him into multi-family investing.

Today, through his equity investment company Cape Sierra Capital, David invests in apartment communities and controls over 25 million dollars in real estate assets. David, welcome to the show. I know you have an incredible story getting to where you are at right now and I think it's going to help many of the listeners as well, looking forward to diving into that.

Give us a little more about who you are and let's learn a little more about how you got to where you're at now, where you came from?

[0:01:20.0] DK: Sure, thank you Whitney, my mother is Ukrainian, I was born in Ukraine, my dad is from Sierra Leone, West Africa. My father was studying in the former Soviet Union so I was born there and went to school there for the first year of schooling. At that point, my dad finished his studies and moved back to West Africa to Sierra Leone so I was not yet eight when we moved back.

I mean, you know, as a kid, it's kind of a tough experience, you're leaving all your friends behind, new language, new culture, all that. It was actually a great formative experience because you kind of learn to adapt quickly and don't get too tied down to anything but then, Sierra Leone was great, West Africa was amazing.

We did have some civil unrest and then in '97 we had a military coup just as I was finishing up high school. I was supposed to be going to school to study in Germany, that didn't quite pan out, I ended up in the United States but I can't complain, things have worked out just fine and I guess, long story short, went to the University of Michigan, studied computer science, I moved to Chicago and did work for a large company, did the corporate thing.

Got into real estate then, we bought our first single-family house in our residence and I really got fascinated with the whole idea of being able to leverage and you know, control a large asset with a fairly little amount of money. I went to a number of events that are trying to get some more education.

Not too long after that, we bought the duplex and three-plex and my wife and I said, "Hey, this is kind of a plan that would make sense" but of course, life happened, we moved back to Michigan in 2012, we had kids, we have four children now and then, one day we kind of look back and said, "Hey, we didn't really continue that plan, we need to get back on there."

That's the short story but many I guess, paths along the way that brought us to where we are today and –

[0:03:10.7] WS: Yeah, let's jump in there where you and your wife found or discovered again, "Wait a minute, we didn't continue on that path." But now, you have over 25 million in assets under a management or under your control. Give us a few points there of how you, okay, you know, now you all realize that this was a good path, we didn't stay on that path, maybe we should get back on it.

Obviously, you have done that now, fill in some of those gaps?

[0:03:34.7] DK: Sure, I mean, what really happened was, I was – I went to business school and that kind of led to a management consulting career, which it's very exciting, you're working a large project, you're working on things often that are in the news and you kind of help shape the news with mergers and acquisitions and all these efficiencies that we're helping companies drive.

I kind of got a little bit – the work was great, the work was very interesting but then you know, the corporate politics when you're dealing with large organizations. I ended up leaving and starting my own management consulting firm and that was working really well until there was one Sunday evening where my daughter asked me like, "Hey dad, are you going to work tomorrow?" Which for me, really meant, "Am I not going to see you for the next three days?" You know?

That was a tough question. That's when my wife and I talked about it and said, "Hey, I mean, yeah, we're making good money and no longer working for the "corporate man". But the goal here is not to not see you guys" right? I mean, the goal here is not to just make money, the goal is to have a high-quality life.

At that point, we decided we should double down on real estate and specifically not single-family wanted to scale, right? How do we do this with multi-family? I went out and really examined the landscape, it felt like I could muddle through it but it made more sense to go get mentorship, that way we could accelerate progress.

I did that and I mean, really I never looked back. We bought a number of deals for ourselves so I think we had the advantage of having some capital where we didn't have to necessarily do both things at the same time, learn about the industry but also learn about raising money.

We did four deals on our own, which was very helpful in establishing track record and then just people that I knew that people that I'd worked with through my consulting business, former consulting partners, former business owners or business owners that I've worked with.

They said "hey, this is really interesting, tell us more about this." That's how we got into bringing investors into our deals and syndications.

[0:05:30.0] WS: Give me a couple of key things that helped you to have confidence in syndicating that first deal. I know you said you hired a mentor, maybe you could shine a little light there as well, what gave you the confidence to syndicate that first deal?

[0:05:43.8] DK: Yeah, by this point, I already had about 150 units that we owned, right? It's I think much easier when you can point to, "Hey, here are buildings that I have, here are projects that I've run, that I've run the numbers and I exactly know how they operate." I have relationships in the industry, I have property managers that I trust, right?

I think that gave me a lot more confidence to say, "Okay, while the plan was never to go start a business where we're working with investors, it actually makes sense" right? I mean, if people want to invest with me because they trust me and they feel like they want to diversify out of stocks or whatever the traditional investment avenues are, it made sense for us to entertain that and frankly, makes our money go a longer way as well.

Really, just looking at my personal track record in the space and being able to share that with individuals made that less of a frightful leap, right? But at the same time, it's different signing up to go buy an eight-million-dollar project when you have to raise a bunch of the cash, right?

It's just a different set-up. Again, I think I relied a lot on just the relationships I had and knowing that the people I was speaking to would come through and also, we were raising money or we still are raising money at higher levels. Where our minimum investments, typically $100,000.

They individuals that invested that level don't tend to necessarily need that cash for their day to day. They instill a bit more confidence in that they will come through.

[0:07:22.9] WS: Yeah, I know that's incredible because it is, sometimes that first deal, that first syndication is difficult, you know, to have the confidence or figure out how to get that done and things change for most people after that first one, right?

Your eyes are opened to so many more things, you gained so much more knowledge through that first one. However, a lot of people don't get to the first one because of the lack of confidence or guidance and it sounds like you know, because you had done some other deals on your own, you probably worked through the majority of that.

You know, so syndicating that first deal wasn't that big of an ordeal because you'd already been in real estate and made some stuff happen. You know, before we were recording too, you were talking about – this is kind of along the same lines as well, people hesitate to invest in real estate and especially right now, during the pandemic or you know, all these things that are happening.

I just wonder if you could speak to that a little bit now to the listeners, because I know that's weighing on everyone's mind, right? Why don't we just discuss that a little bit and elaborate on that thought?

[0:08:17.6] DK: Yeah, I mean, one thing I think – and this ties into your previous question like the confidence to go do something, right? Personally, I mean, for me, my life story has been kind of relying on myself. I mean, I have a definitely good background and good educational background and I always knew I could get things accomplished, which goes a long way.

But being self-reliant is key and having some, I guess, gumption that you can not necessarily know everything upfront but you could find ways to solve problems I think helps. With the pandemic in particular, right? I think as I speak to investors, right? A lot of people say, well, "I mean, this rent moratoriums and you can't really necessarily collect rents because of that" and the pandemic has disrupted and those things are all absolutely very true.

But I was hearing those things from people before the pandemic hit, right? I mean, last year and the year before and the years before that, I was speaking to people that I knew had money and were successful in their respectful fields, and people tend to always come up with reasons why not to do things, right?

"Hey, I think the cycle is hot, I mean, everything is expensive, I think we should wait for a cool down or the correction." The truth of it is, at least, the way that I approach this space in life in general is you can't worry about things that you cannot control, right? If I can't control the cycle, I'm not going to worry about when the cycle is going to be at the top or the bottom.

I mean, all I can do is prepare for that, right? Mitigate, put things in place to mitigate that, which means, in our case, underwriting these properties in a way that we have some buffer and we have some slack should things not turn out exactly the way we expect them to.

But specifically, back to the pandemic, I think, when the pandemic hit, all of our investors, we actually communicated to them that, “Hey, we are not sure how this is going to work out so we’re going to be ultra conservative and frankly, we’re not going to distribute any of the dividends for that quarter” because it’s better to conserve cash rather than us coming back to you and saying “Hey, we need extra capital”

Then a month went by and all the rents came in and went back to every one of our investors and said, “Here you go, here’s your distribution, things are actually panning out really well.” I think what we’ve – through the last whatever, nine months is that people need a place to live, right?

I mean, at the end of the day, office space, we’ve all learned how to work from home, right? Hotels clearly are challenged and restaurants are challenged and mostly drive-through, especially with the lockdowns right now and retail is hurting too, right? Because everyone’s shopping online but at the end of the day, in the real estate asset space or real estate sub-classes.

Apartments are kind of the go to play. I mean, I’ve had people approach us that really never heard of us before and found us because we are in the multi-family space, right? Because again, multi-family has had over 90% collections in the industry.

If anything, I’m very bullish on this space right now and I think it’s kind of vindicated itself and proven that if you are not in the wrong side of multi-family, which I guess is, if you’re in a place where your tenants are not extremely affected by some of these lockdowns, I mean, I understand there’s a lot of people out there hurting who can’t go to work because their place of business is shut down.

I mean, those people would be hurting, right? That’s a real thing and not to discount any of that but the beauty of having multi-family investments is the diversification across tenants, right? When you have 200, 300, 400 units, sure, you’ll have a few people that fall into the category where you’ll have to work with them and you’ll have to help them with kind of putting them on a payment plan or whatever the case may be.

But that’s going to be a small percentage of who you have. If you’re in the mostly invest in the C-plus and the B-minus space for apartment buildings.

[0:11:59.4] WS: Yeah, diversification is a big thing and not only across, you know, hundreds of tenants but different properties, different markets and even potentially different operators as well as a passive investor, it's just amazing way to invest, I agree completely.

You mentioned just like, you cannot worry about the things you cannot control. Obviously, we want to educate ourselves, we want to be able to plan all those things but it does cripple so many people from making any decisions and I always stress, even to our children like not making a decision is still making a decision, right?

How do you help that investor through that or could you give us a few tips there as far as that investors that's just saying, "David, I'd love to invest" but just with all these things, global pandemic, all these things that are just so unknown, I just don't know this is the best time.

Anything else that we haven't talked about there? I know we talked about great things about real estate investing, multi-family. Anything else that you would bring up during that conversation to make that investor see that this is a great investment opportunity?

[0:12:59.1] DK: Yeah. I think whenever I speak to investors, frankly, I mean, the way that I approach it is again, it's not personal and I don't try to tell people that hey, real estate is kind of one all, be all solution to all your needs, right? In fact, I mean, I was very successful in the stock market and just recently, frankly, I reached out to a buddy of mine I hadn't talked to in a long time and I said "Hey, we're doing this deal, what's going on?"

He said "Hey, actually, I'm doing like 100% plus returns in the stock market right now. I mean, at this point, I'm just going to keep going with that." That's totally fine, I said, "Hey, I can't compete with 100% returns, that's not something we can do." But I think you have to be sincere and frankly, transparent with people as to what you're doing and you also have to educate people about what are the options out there?

I mean as a retail investor, there's just so much, right? There's just so many different things and everyone has this information coming at them from various directions, right? People and their jobs have a 401(k) and they have certain advisors and people in retail brokerages is like TDM rate and traded and etcetera, have these funds and small cap stocks and whatnot.

I think when you take a step back which I did, right? My journey was really, stock market, some single-families and then transition from single-families to multi-families and then really looking at this too, right?

Again, the thing that I realized with the stock market and why I didn't quite like it was, I couldn't eat any of that money, right I couldn't live on it because once you cash out, right? You get hit with the capital gain stacks, right? Once you actually withdraw that money, which most of us have in some kind of a retirement account, you get hit with an early withdrawal fee, right? If you take it out before your 59 and a half and you get hit with an income tax fee. So that money has just taxed so much that by the time it gets to you, yeah while the return some really good in the stock market it's just a fraction of that and a significantly lower fraction.

What I tell people is, you're really fine with any investment vehicle that you are comfortable with but one thing I try to open people's eyes to is the idea of try to have passive investments that you don't have to work for, right? I mean the whole point is you don't want to keep on trading your time for money. If you have something passive then I mean at the end of the day, if you have enough of that coming in, you're pretty much done, right?

Think of it as a cash flow monthly-type situation and actually I ended up creating this system called the personal cash flow, where I tell people how to think about it from a perspective of how do your monthly bills and your monthly expenses align to what your monthly income is from a passive perspective? You can make that top number be higher than your expense number, then you don't really care about what number is in the bank, right?

Because I mean you're done, right? If you are making passive money more than what you are spending, you can pretty much decide what you want to do. That is what I kind of try to get people to but I think the other aspect of the education is within real estate I think a lot of people just bunch, you know, the statement of this one big thing. It's like, "Oh well the real estate is risky" or I invested in a construction project and that is kind of frozen right now because of COVID right?

I mean that's a very valid point but we're not doing any construction, right? Yes, while you can make a ton of money in construction projects, I don't do that because again, that's just many of our handles that I am not familiar with.

[0:16:18.0] WS: Yeah.

[0:16:18.8] DK: What we try to focus on is small investments or reduce the number of variables, not necessarily small investments but get into projects where they one, kind of know what those rents are and then we can work from there and kind of educate people about the model of where the returns come from, cash-on-cash versus the appreciation on sale.

[0:16:35.0] WS: David, what's been the hardest part of this syndication process or journey for you?

[0:16:39.6] DK: That's a good one, so I think syndication in general is kind of for me at least, not a very natural thing to do, right? I think I have heard other folks talk about this, right? You naturally kind of gravitate to things you're good at, right? I don't know if there is any such thing as a natural sales person. It's not comfortable, right? Most people think about, "Hey, I just want to do what I want to do and why are you talking to me about this other thing."

Well, I mean for me, like I said, we didn't really start out trying to build the syndication business. People kind of came to us and said, "Tell us about this. We're kind of interested, we do want to diversify our holdings" and at the end of the day, I turned around and thought about it. Well, I mean actually, these are people that we're serving, right? These are people that otherwise would be just in a particular investment class, which is fine but this is a very good investment class, which most people are not exposed to.

I mean as you know, in multi-family the returns are often better than stocks. Frankly, better than stocks if you take into account the kind of the volatility of stocks and the way that stock asset class is not tax efficient and then there's frankly a lot less risk. In business school, they always talk about what's the alpha and what's the beta, right? What's the return and what's the risk? Multi-family investments are much better return with a lot less risk.

If you think about speaking to people about the topic from that perspective, it is not really a sales discussion, right? My, I guess, approach always is, I really am not trying to change anyone's mind too much. I am just trying to open their mind to say, "Hey, you definitely don't need to go cash out of your stocks but consider this other asset class and the returns there." I think yeah, back to the original question. Syndication is, it's challenging if you are looking to go out and raise millions and millions of dollars.

I mean in our case, that's not necessarily our approach. We are very comfortable with doing one or two deals a year because frankly, we don't have to and that allows us to be a lot more careful about the deals we put people into. Again, most of these people are people that I know really well. I take those relationships extremely seriously.

[0:18:46.4] WS: Of course, it's just interesting to start but you know, we are not trying to change an investor's mind right? You're trying to open it to new opportunities and realize that we are providing an opportunity. We're not selling, really selling anything but providing a big opportunity and that is helpful during that conversation with an investor. David, we believe that to have a successful business especially in real estate you've got to be very just disciplined. How did you gain such a high level of self-discipline?

[0:19:12.6] DK: I think I'd have to credit my mom. I mean my mother always kind of instilled in me that you can accomplish whatever you put your mind to as long as you put in the work and so from an early age, I mean there is definitely one of the key, I would say things she instilled in me and my dad was very supportive of it too and so, my dad is a doctor in West Africa. He is the first person in his family to finish college, go overseas to study any of that.

I mean he came from not much, when I say not much that's understating it by a lot. I mean, he grew up in a mud brick house with no running water, any of that stuff and frankly, nobody went to school. I grew up with kind of the ethos that hard work is rewarded and again like I said, my mother was very instrumental in making me see that. Sure, we didn't have much in terms of resources but being able to rely on yourself and believing that you could accomplish much more than others with hard work I think worked a long way.

That was proven further when I got to the States with a thousand bucks at 17 with not really anybody to help too, too much. There was a family from Sierra Leone that was very helpful and help guide me. Help me with those first two years and I am still really good friends with that family and really my best friend from high school from Sierra Leone.

[0:20:34.6] WS: That's awesome, I mean you saw that in your parents, right? I mean they had to be just have be very disciplined and determined to get to where they were at, no doubt about it and then obviously that you saw that and I am sure heard stories from even before you were born and just learned so much. Are there a couple of daily habits that you have David that have helped you achieve success?

[0:20:54.5] DK: I would say that I could be better about being super disciplined about how I work but I think I just got into a zone where if I know I need to get things done, then I establish those routines to get there. I like getting out in the morning and going for a run, kind of that is my time to reset focus. I think I really grew up or grew into that while I was on the road travelling a lot, right? When you are in consulting, you're literally get on a plane and go somewhere in the country or sometimes out of the country.

There's not a lot of routine other than you can wake up in the morning and kind of do something, go to the gym or go run, so that is my thing. I still do that, my wife and I go for runs all the time. We've moved that time now to lunch time when we both have a break and we'll go do whatever, five to six miles but really kind of just – I write a lot of things down. I write, so I have a daily to-do list and this is what is on my daily to-do list and then I adjust that before I go to bed so I know what I need to get focused on the next day.

That's been extremely helpful. I think feeding your mind with positive things is very important. Whether that's podcast, whether that's books, I think that kind of really helps program you as an individual and I think frankly, a lot of people don't do that, right? It is very easy to just succumb to whatever is on Netflix or whatever else.

[0:22:14.0] WS: Right.

[0:22:14.4] DK: Which I mean I think that –

[0:22:15.3] WS: Letting things happen to you instead of you making things happen, right?

[0:22:18.8] DK: Exactly and I mean you do need a break sometimes, which I appreciate just you have to not always have a break.

[0:22:25.2] WS: That's right. We don't live on break, right? What's your best source for meeting new investors right now?

[0:22:31.0] DK: I frankly don't have a ton of necessarily brand-new folks. I guess I am fortunate in that through business school and through my consulting career, I've met a ton of people that I think in that sweet spot for who I'm working with.

[0:22:45.2] WS: Yeah, that's all right. That's awesome that you have that investor base already established and like you said, people that you know that are – love partnering with you and your rules.

[0:22:53.0] DK: Well, I mean I think that's part of it but I mean, I think more recently so we have a platform, right? Through our website I think and the personal cash flow formula, that has attracted a number of people because frankly, a lot of the people I used to work with in consulting, I mean still work in consulting, right? They make really good salaries, I mean these are people that are making I mean large six-figure salaries and they just don't have the time, right?

They don't control their time, they're still kind of on a plane to a client like halfway across the country. I try to speak to that audience because again, I've lived that many years and I understand how difficult that is to escape because at one level, you kind of have established a certain lifestyle, right? You have a certain set of expenses and you are a very high-income earner but you don't have the freedom to be there for your kid's recital or swim meet or soccer game, right?

That's kind of the folks that I speak to and we definitely have had some traction because speaking to them and trying to explain the personal cash flow formula in this passive investing side has helped and so I do have some new folks approaching us through that platform and on our website.

[0:23:59.0] WS: What's the number one thing that's contributed to your success?

[0:24:01.9] DK: That's a tough question. One thing or the number one thing, looking for solutions, right? Being able to find ways to get things done, right? Like I mentioned, I mean my story is not unique and that I don't have a family with a lot, right? To kind of figure things out but I think the number one thing is being able to think through what is important to get you to the next step and find the solutions to get you there.

Whether that's great perseverance, whichever I guess words you wanted to describe that but it's really taking a step back and evaluating your situation, right? If you keep on doing the same thing, will you be getting to what you wanted to get to and having the belief that you can get there, right? Because some people will kind of see it but they're like, "I don't know that I could get there."

[0:24:50.7] WS: It sounds like it goes back to mindset, right? So much about what you're focused on and the willingness to push through and so many things we've already talked about. How do you like to give back David?

[0:25:01.1] DK: Well, so I am just a kid from Ukraine and Sierra Leone, right? I was always the kind of dark skin kid and in Sierra Leone it's the light skin kid. The way that I like to give back is, so my dad still lives back in Sierra Leone. My dad is a doctor and he has the calling to just help people in need, right? He could have been elsewhere in his life but he really wanted to be back there and help the folks he grew up with.

My sister and I actually have built a hospital back in Sierra Leone, which we fully-funded. My sister raised some cash, I raised some cash and it's been great to see that up and running and so a couple of years ago, I took my whole family back. I have four kids, four girls and my wife, my wife had been back before but for my kids, I think it was very eye-opening to have them see where their grandpa came from, right? Frankly, where I spent over 10 year of my life.

Just to have the contrast of opportunity available to people, right? I think when you come from a place of very little opportunity, you kind of get to appreciate that. One way of giving back has been supporting that hospital and my dad in his work to continue to give back there. Another front has been for us really, so now I mentor a lot of people that are aspiring real estate investors and I think the biggest thing I think you'd touched on it was that first deal, right?

Most people struggle with their first deal, so I mentor people and try to help them get to the first deal because once you do that and back to what we spoke about earlier, your mindset changes. You know you can now do it. It's no longer just that pie in the sky. You've already accomplished it, so once you get to the first deal done, you're in a different place. Those are kind of the two ways primarily I focus and give back. I run a lot of marathons, my wife and I.

Especially a couple of years ago in Sierra Leone, we have the Ebola crisis. Raised some money for Doctors without Borders and it's also frontier so that felt good. Just little things, I think little things help.

[0:26:49.1] WS: Well that is awesome David. I appreciate you sharing that, it's an incredible way to give back and I appreciate your time today with us as well. Tell the listeners how they can get in touch with you and learn more about you?

[0:26:57.8] DK: Sure, so my website is Cape Sierra Capital, it is a nod to Sierra Leone, so capesierracapital.com and while you're there, you can grab my free e-Book. It is called *The Personal Cash Flow Formula* and that's at capesierracapital.com/cashflow. Make sure you check that out when you look at there.

[END OF INTERVIEW]

[0:27:18.9] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

[0:27:59.1] ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

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